



Arizona Attorney General

Terry Goddard

Educating • Protecting • Empowering

Arizona Consumers

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Top 10 Consumer Scams 2007

Arizona Attorney General's
Red Flags and Protection Tips

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Important Information About Consumer Complaints

The Arizona Attorney General has the authority to bring actions alleging violations of the Consumer Fraud Act. Consumer fraud is defined as any deception, false statement, false pretense, false promise or misrepresentation made by a seller or advertiser of merchandise. Concealment, suppression or failure to disclose a material fact may also be considered consumer fraud in certain instances. Merchandise is broadly defined to include any objects, wares, goods, commodities, real estate or intangible items, such as services. The Consumer Fraud Act is found at Arizona Revised Statutes (A.R.S.) §§ 44-1521 through 44-1534.

2 If you believe you are the victim of consumer fraud, please fill out a complaint form with all the requested information. Please also send us copies of any documentation to support your complaint (for example, a copy of a contract, phone records, the names and addresses of persons involved). Complaint forms and instructions for filing are on our Web site at www.azag.gov. You may also request a form be mailed to you by contacting the Attorney General's Consumer Information and Complaints Office in Phoenix at 602.542.5763; in Tucson at 520.628.6504; or outside Maricopa and Pima Counties at 1.800.352.8431.

The Attorney General's Office does not have the authority to represent individual consumers. However, our consumer experts look into every complaint. They provide an opportunity for the business named in the complaint to resolve the dispute voluntarily. If the complaint is not resolved, it is reviewed for further action by our Office. If we file a consumer fraud lawsuit for a matter in which you filed a complaint, you may be named as a victim in our complaint or called as a witness at trial (with your consent). If the Court action is successful, you might be awarded damages by the Court.

To stay ahead of the rapidly changing consumer scams and schemes, please sign up for Scam Alerts on the Attorney General's Web site at www.azag.gov.

Message from Attorney General Terry Goddard



“Phishing” schemes, high-priced loans, the Nigerian letter scam and variations of the international lottery winner notice have victimized far too many Arizonans. While my Office vigorously enforces the consumer fraud laws, I want to help consumers stop scam artists **before** they strike. With more information about consumer fraud and available resources, more Arizonans will spot the red flags and protect themselves and their families. In military terms, I want to “harden the target.”

This booklet provides a practical guide to the “Top 10” most common consumer problems and scams reported to the Attorney General’s Office in 2006. It is designed to empower consumers and help you avoid becoming a victim. Please review this information carefully. Share it with friends, neighbors and loved ones – anyone who might need it. The “Top 10” is also available on our Web site at www.azag.gov.

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If you have any questions or would like additional copies of this booklet, contact the Attorney General’s Consumer Information and Complaints Unit. The Resource Page at the end of this booklet provides contact information for state and federal agencies that can help.

Sincerely,

A handwritten signature in black ink that reads "Terry Goddard". The signature is stylized with a large, sweeping initial 'T' and a long, horizontal stroke at the end.

Terry Goddard
Arizona Attorney General

Auto Purchases and Repairs

Buying a New or Used Car

Next to a home, buying a car is often the largest purchase consumers make. Shopping for the best deal is confusing at best. It can be overly expensive if the buyer is not properly informed. Key elements such as loan interest rate, purchase price, trade-in amount, service warranty and monthly payment are all negotiable. Relying on the salesperson to give you a fair deal can be risky because most salespeople are paid on commission – the higher the price, the more money they make. Consumers who are not aware of their rights are likely to make bad deals.

Because the largest number of consumer complaints to the Attorney General's Office in 2006 was auto related, we have a separate publication entitled *Consumers' Guide to Buying a Car: Steer Clear of Trouble!* It is available on our Web site at www.azag.gov.

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Arizona's Lemon Law

New Car: The Arizona Lemon Law (A.R.S. § 44-1261 *et seq.*) has some specific protections. Consumers should consult the law or an attorney if their new car does not operate in a reasonable manner. Here are the basics:

The period covered by the Lemon Law is the same as the term of the manufacturer's warranty or two years or 24,000 miles, whichever is earlier. The covered period begins on the date the consumer receives the vehicle.



During the covered period, if the manufacturer fails to repair the defect(s) after four attempts, or if the car is out of service by reason of repair for a cumulative total of 30 or more calendar days, the manufacturer must accept return of the car or replace it with a new car (contact your dealer).

Used Car: A car is covered by the Arizona Used Car Lemon Law (A.R.S. § 44-1267) if a major component breaks within 15 days or 500 miles after the car was purchased, whichever comes first. You have to pay up to \$25 for the first two repairs. The recovery for the consumer is limited to the purchase amount paid for the car.

Red Flags

- *Beware of a salesperson who rushes you to sign paperwork without giving you a chance to review the contract terms.*
- *Beware of advertised minimum trade-in amounts and free gifts. Dealers may raise the price of the car to offset a low value trade-in or the cost of the “gift.”*
- *Beware of a contract that has terms substantially different than what the salesperson promised.*
- *Beware of a salesperson who suggests putting false information on your finance application, such as inflating your income. Providing false information to obtain financing is a crime and you could end up with a contract you can't afford.*
- *Beware of a salesperson who suggests you take the car home **before** financing is approved. This practice is designed to “lock you in” to a purchase. If you take a newly purchased car home and find out later you will have to pay more than expected for financing, you should be able to get your trade-in back and return the newly purchased car (A.R.S. § 44-1371).*



Protect Yourself

- *Do your homework. Get information about potential dealers from the Better Business Bureau (Resource Page). Research the car's value before negotiating a price. Look up the value in the Kelley Blue Book (www.kbb.com) or at www.edmunds.com.*
- *Arrange financing with your bank or credit union **before** car shopping.*
- *Be skeptical of car advertisements and read the fine print carefully.*
- *Make sure **all** promises made by the salesperson or dealership are put **in writing** and that you get a copy.*
- *Request a free vehicle history report from the dealer before buying.*
- *Read all documents and understand all terms before signing a purchase contract. Do not sign contracts with blank spaces.*
- *Make sure the financing is approved **before** turning in your trade-in vehicle or accepting the new car.*
- *If you are buying a used car, have a trusted mechanic inspect it **before** you buy.*
- *If you decide to finance through a dealer, negotiate the price first. Once the price is settled, then negotiate the monthly payment.*
- *With dealer financing, always ask the dealer if the interest rate being offered is their lowest rate, whether the rate includes any profit for the dealer, and if so, how much.*
- **REMEMBER:** *Arizona does **not** have a cooling-off period or three-day right to cancel a car sale.*



Car Repairs

At some point, your car will need repairs. Knowing how your car operates and familiarizing yourself with the car manual will help you spot problems. It is best to find a trusted mechanic and auto repair shop **before** your car needs repairs. This will help you avoid making a last-minute or unnecessarily expensive decision.

Protect Yourself

- *Ask for car repair recommendations from people you trust. Check with the Better Business Bureau to see if there are any complaints against the repair shop.*
- *If your car is under warranty, make sure that the repair shop is authorized to provide service for your car's make and model. Work by an unauthorized repair shop could void the warranty.*
- *Shops that do only diagnostic work and do not sell parts or repairs are more likely to give you an objective opinion about which repairs are necessary.*
- *If possible, get several written quotes from different repair shops before a major repair is done.*
- *Get a written estimate first. The estimate should identify the problem to be repaired, the parts needed and the anticipated labor charge. **Make sure you get a signed copy of the estimate.***
- *The written estimate should also state that the repair shop will contact you for approval before it does any work not listed in the estimate.*
- *The repair shop may recommend additional repairs. If you are uncertain whether the work needs to be done, get a second opinion.*
- *There is no such thing as a “standard warranty” on repairs. Make sure you understand what is covered under your warranty and get it in writing.*

Business “Opportunity” Scams

Business “opportunities” are a rapidly growing area for scams. Victims are attracted by claims that they can make thousands of dollars while operating an Internet business from home. False testimonials usually accompany these claims. Recently, perpetrators have primarily offered opportunities to run home-based Internet businesses. Offers involving businesses such as envelope stuffing, medical billing and coffee rack displays may be scams as well. Often, the start-up costs are relatively small, but victims are lured into purchasing advertising upgrades or other enhancements to make their businesses “successful” and protect their initial “investment.”

Multi-level marketing (MLM) companies are another type of business “opportunity” that frequently use the Internet and telemarketing operations to lure participants. MLM businesses claim they are marketing a product, but they are actually marketing a scheme in which earnings are based on the number of new individuals recruited into the program, not on the quality of the product. These companies entice prospective participants with promises that they will have their own businesses, establish their own work hours and earn enough money to purchase a new car or boat, pay for their children’s education or take a fabulous vacation. Promoters claim these pyramid schemes are legal because a product or service is being offered.



Red Flags

Research business opportunities thoroughly before investing. However, since all contacts are usually by computer or over the phone, investigating a company can be difficult. Be aware that:

- *Real individuals may give false testimonials.*
- *A lack of complaints about a new business may indicate nothing. The business may not yet be registered with the Better Business Bureau. The Bureau sometimes doesn't receive complaints until after the scam has been completed and the scam artists are gone.*
- *A small start-up cost is usually accompanied by additional purchasing requirements.*
- *Individuals with whom you are speaking are often telemarketers and not the individuals perpetrating the scam.*
- *The business may have no physical location other than a post office box and a fax machine, making it almost untraceable to an investor.*

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Multi-level marketing companies can be identified by the following:

- *The focus of the program is on the recruitment of new participants, rather than the sale of products to the general public.*
- *The company emphasizes huge potential earnings, often using testimonials claiming to have earned unbelievable sums.*
- *The products or services offered by the business are sold for more than fair market value, which may indicate they are simply vehicles for recruitment. Compare the price of the product or service with similar products or services being sold by non-MLM companies. Ask yourself, who would purchase the product or service if they were not interested in joining the program?*

Protect Yourself

- *Be especially cautious when subjected to hard pressure sales or “pep rally” type sign-up sessions.*
- *Use extra care when considering investing in a business opportunity. Don’t invest unless you are satisfied that the opportunity is genuine and the business can be validated.*
- *Always meet personally with representatives of the company, view the physical location of the company and verify the actual earning potential.*
- *If you purchase a business opportunity, carefully evaluate all subsequent offers of upgrades and enhancements. Be prepared to cut your losses once you begin to suspect a problem.*
- *With multi-level marketers, determine how many individuals are participating in the program and the average amount of money made by each of those participants. Could you make any money if you only sold the products and did not recruit any new salespeople to the program?*
- **Never invest more than you can afford to lose.** *Speak with a professional financial advisor before making any large investments.*



Identity Theft

Identity theft can have serious consequences for consumers. Identity theft generally involves “stealing” another person’s personal identifying information and using that information to fraudulently establish credit, run up debt, or take over existing financial accounts. Unfortunately, most victims of identity theft have no idea they are victims until it is too late. Even if your financial institution makes good on funds fraudulently diverted from your account or charged to your credit card, it may take hundreds of hours to reestablish your good credit.

How Thieves Get Your Personal Identifying Information

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- *Abuse of a trust relationship by relatives, workers or caregivers who have access to your financial information.*
- *Stealing your wallet or purse.*
- *Stealing personal financial information, such as checkbooks or credit card bills, from your home.*
- *Copying your credit or debit card numbers during credit transactions.*
- *Stealing mail from your mailbox (especially outgoing paid bills and pre-approved credit offers).*
- *Diverting your mail by fraudulently using a change of address form.*
- *Stealing financial information from the trash (“dumpster diving”).*
- *Phishing: phony emails that resemble communications from financial institutions asking for your account numbers, passwords or other identifying information.*
- *No legitimate financial institution will ask for your financial information by email.*



- *Pretexting: pretending to be you or someone else to obtain information from your phone records, account statements, personnel records or credit files.*
- *Stealing data from commercial businesses, such as medical and insurance companies.*
- *Searching public records accessible on the Internet, such as divorce papers or property transactions containing your Social Security number.*

Protect Yourself

- *Carefully review your bank and credit card statements monthly. Notify the institution immediately of any unauthorized activity.*
- *Write “Ask for Photo ID” next to your signature on the back of your credit cards.*
- *Order a free copy of your credit report annually and check it carefully (Resource Page).*
- *Guard your Social Security number, the key to identity theft.*
 - **Never** carry your Social Security card with you.
 - Do **not** give out your Social Security number unless it is required for employment, a bank account or other legitimate purpose.
 - Do **not** put your Social Security number on your driver’s license.
- *Ask your credit card company to stop mailing blank checks with your statements.*
- *Ask credit card companies and financial institutions to include photo identification on your bank and credit cards.*
- *Always take your credit card receipts and shred them when no longer needed.*
- *Keep documents containing personal information, credit card account information and PIN numbers in a safe place.*



- Ask businesses to shred your applications, receipts and other documents upon completion of their use.
- Minimize the amount of personal information you give out, especially online.
- Do not provide your personal information in response to email scams (phishing) that appear to be from a bank, credit card company or Internet service provider. No legitimate financial institution will ask for your financial information by email.
- Never give bank or credit card account information over the phone unless you initiated the call and know the business.
- Identity thieves often use children's Social Security numbers. Parents should check their children's credit reports once a year.
- Always use a secure mailbox when mailing checks or other sensitive materials.
 - Never put paid bills in your mailbox for the postman to pick up.
- Shred everything with personal identifying information before discarding.
- Delete all personal information from your computer before disposing of it.
- Remove your name from mailing lists generated by telemarketers by contacting the Direct Marketing Association at www.dmaconsumers.org.
- Ask financial institutions to send statements and other communications to you electronically rather than through the mail. You can usually do this from their Web site by viewing your account and choosing the "paperless" option.

If you are a victim of identity theft, report it to your local police immediately. File for a "Fraud Alert" with one of the three national credit reporting agencies (Resource Page) and file with the Federal Trade Commission at ID Theft Hotline 1.877.438.4338 or www.ftc.gov.

Internet Auctions

Internet auction Web sites offer consumers the ability to purchase goods from around the world. Unfortunately, some sellers fail to deliver what they promise. In addition, some scam artists use information from a legitimate Web site to lure buyers into a fraudulent transaction, such as requesting payment from the buyer but never delivering the goods. Sellers can also become victims of fraud when the “buyer” sends a bogus payment. There are no standard procedures or buyer protections for online auctions. Be sure you know who you are dealing with before you trade. Many reputable sites provide a ratings system for user trustworthiness.

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Red flags

- *Beware of Internet sellers that only accept money orders or certified checks as a means of payment and sellers who direct you to send an “advance fee” to a post office box before you receive the goods.*
- *Beware of Internet sellers that specify your debit card for payment (consumer protection laws for debit cards are not as strong as those for credit cards).*
- *Beware of offers to sell you the same item that you bid on at a lower price “off-site.” By going off-site, buyers lose any protections the original auction site may provide. You may never get the merchandise offered.*



- *Beware of sellers or buyers who insist that a particular escrow service be used. Scam artists sometimes use a phony escrow service, which forwards the money to the seller, but the seller never sends the promised goods or returns the buyer's money. Scam artists may also use a phony escrow to lure the seller into sending the goods without getting paid.*
- *Beware of sellers who insist that you pay for something before they send it to you.*

Protect Yourself

- *Internet auction sites typically bear no responsibility if you never receive an item you paid for or receive an item of substandard quality. Consider using a neutral third party, such as a legitimate escrow service. For a fee, they will serve as an intermediary and provide additional protection.*
- *Make sure the company or individual with whom you are doing business is legitimate. Send a "test" email to see if the email address is active and try to obtain a physical address rather than merely a post office box. Try to find a phone number for the seller and call the number to see if it is correct and working. Research the seller by using an Internet search engine or by checking government and business Web sites.*
- *Protect your identity when purchasing goods through an on-line auction site. Never give your Social Security number or driver's license information to a seller.*
- *Know exactly what you are bidding on. Check out the pictures. Watch out for words such as "replica," "rebuilt," "refurbished" and "off-brand" if you want to purchase an authentic item.*



- *Ask questions about the sale. Contact the seller if you have questions about the quality of the goods offered, who pays for shipping and delivery, how long it will take to receive the goods, the seller's return policy or any other aspect of the sale.*
- *Save all the information about the sale. Print hard copies of your bid and the seller's information.*
- *If you use an online payment or escrow service, make sure you are dealing with a legitimate company and understand how the transaction works. If the Internet auction site maintains a list of recommended escrow services, use one of those. Otherwise, ask for information, including location, about the escrow company and research it online.*
- *Check the privacy policy and the security measures used by the seller and the escrow company before you disclose financial or personal information, including credit or debit card numbers. Do not provide payment or bank information until you are sure the seller and the escrow company are legitimate.*
- *Understand the rules of the auction site, since all sites are not the same. Some sites offer protections like free insurance or protections for items that are not delivered.*

Mortgage Foreclosure “Rescue” Schemes

Phony “mortgage rescue” and “home foreclosure prevention” schemes are a rapidly growing problem in Arizona. Desperate homeowners who have fallen behind on their mortgage payments and are on the verge of foreclosure may turn to these companies hoping to prevent the loss of their home. Be very careful. These schemes are designed to take your home and steal any equity you have built up.

In one common foreclosure prevention scheme, the “rescue company” will lend the homeowner money (at high interest rates) to make back-payments owed to the mortgage lender. The homeowner must agree to make monthly payments to the rescue company that includes the original mortgage payment, plus a payment on the new loan. The homeowner also will be required to sign a deed transferring the property to the rescue company. The homeowner ends up renting their former home. If the homeowner fails to make rent payments on time, the rescue company evicts the former homeowner. All rights and equity in the home have been lost.

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Red Flags

- *The “rescue company” requires that you sign a deed transferring your property to them and promises that once you have caught up with the past due mortgage payments, your home will be transferred back to you.*
- *The “rescue company” tells you to sign over the deed to your home so it can work with your mortgage company to “save” your home from foreclosure.*
- *You are required to pay a “service fee” to locate a lender or buyer for your home.*



- *The “rescue company” offering to save your home from foreclosure rushes you through the transaction and urges you to sign documents immediately.*
- *The “rescue company” promises to personally pay your past due mortgage payments directly to the original lender.*
- *The “rescue company” forbids you to contact your original mortgage company.*

Protect Yourself

- *Never sign over the deed to your home as part of a foreclosure avoidance transaction. A deed should be signed over only if you intend to sell the home for a fair price.*
- *Contact the Arizona Department of Financial Institutions (Resource Page) to determine if the company you are dealing with is a licensed financial lender and, if so, whether the lender has a disciplinary record.*
- *Consult an attorney, financial advisor, non-profit mortgage counseling agency, HUD certified counselor or knowledgeable family member before signing any “rescue” documents.*
- *Read every document carefully. Do not sign contracts or documents that have blank spaces.*
- *Make the monthly mortgage payments directly to your original lender. Do not allow another person to make payments on your behalf.*
- *When behind in your mortgage payments, contact your lender first. Often a payment plan can be worked out that allows you to keep your home while working through financial problems.*

Overcharges and Missing Prices

You have a right to know the correct prices of store items. Arizona law requires stores to either price each item individually with a sticker or tag or post the price on a shelf or sign above or below the item. However, sometimes stores fail to properly post a price or the prices posted are incorrect.

The posted price for an item should be the price charged at the register. However, some merchants have been found to charge more for an item than the posted price. This practice harms consumers. Consumers are misled with incorrect prices when comparison shopping. Consumers purchasing incorrectly priced items get an unpleasant surprise when they get to the register.

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Red Flags

- *Items on a store shelf are not individually priced or you cannot easily identify a posted price.*
- *The price at the register does not match the price on the shelf.*
- *The price on your receipt does not match the price on the shelf.*

Protect Yourself

- *Bring ads with you when you shop.*
- *When in doubt, ask a store employee to verify the price of an item.*
- *Look for a price-check machine and check the price yourself.*
- *As you shop, write down the posted prices of the items you wish to purchase and check those prices against the prices actually charged at the register. Compare your printed receipt with the prices you wrote down.*



- *If you think you have been overcharged for an item, bring it to the attention of a store employee. If the employee fails to address the situation, ask to speak with a store manager.*
- *Even if you don't discover an overcharge until you have left the store, you can return with the receipt and ask the store to correct the problem.*
- *If you were overcharged for an item or prices were not posted, contact the Arizona Department of Weights and Measures (Resource Page).*

Predatory Mortgage Lending

Predatory lending is a common problem for Arizona homebuyers and homeowners refinancing their mortgage. Predatory lending may occur when you are buying a home, refinancing a mortgage or obtaining a home equity loan. Predatory lenders charge far more in points, fees and other costs than justified by the borrower's credit score and/or make loans that are difficult to impossible to repay. Those practices can lead to the loss of a consumer's most important possession – their home – or years of unnecessary expenses.

Red Flags

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- *The loan documents reflect an interest rate well above the market average; points and fees exceed six percent of the loan's principal amount.*
- *The lender rushes you through the loan application and does not provide clear answers to your questions or explain the documents you are being asked to sign.*
- *The lender asks you to exaggerate your income to qualify for a larger loan.*
- *The lender suggests you take out a loan for more than your property is worth.*
- *The lender offers you loan terms that are not as good as originally promised.*
- *The lender promises cash back after the loan closes, but then most or all of it is eaten up by fees.*



- *There is a large penalty for loan payoff more than two years after the loan has closed.*
- *The lender tells you the Good Faith Estimate is inaccurate or “foolish.”*

Protect Yourself

- *Do research. Check the current mortgage rate for the loan term you want in the financial section of the newspaper or on the Internet.*
- *Shop around. You can often do better than the first offer.*
 - *Contact the Arizona Department of Financial Institutions (Resource Page) to determine if the loan company is a licensed financial lender and whether it has a disciplinary record.*
- *Most loan terms are negotiable, including interest rate, choice of fixed or variable interest, length (term) of loan, prepayment penalty, points and fees.*
- *Do not borrow money unless you understand **all** of the loan terms. How much are you borrowing? How much will you pay each month? How long will you have to make payments? Focusing on only one term, such as monthly payment, may get you in trouble.*
- *Some lenders require the borrower to pay a penalty if the loan is paid off early. This “pre-payment penalty” may make it difficult to refinance to a lower interest rate. A loan with a pre-payment penalty should have a lower interest rate than a loan without such a penalty. If you decide to allow a pre-payment penalty because you do not expect to refinance soon, negotiate so it lasts only for the first year or two of the loan.*

- Ask for copies of the loan documents in advance so you have plenty of time to read them.
- Read every document carefully. Never sign a mortgage document that has blank spaces.
- Study the Good Faith Estimate carefully.
 - If your current mortgage payments include insurance and tax payments, make sure to include those costs when comparing your current mortgage payments to a possible new loan payment. Many times, the new lender leaves out insurance and taxes to make the new loan look better.
- Just because you have applied for a home loan doesn't mean you have to go through with it. **EVEN AFTER YOU SIGN THE LOAN PAPERS, YOU HAVE THREE DAYS TO BACK OUT.** 15 U.S.C. § 1635(a) [Truth in Lending Act].
- Complaints about lender practices should be directed to the Arizona Department of Financial Institutions or the U.S. Comptroller of the Currency (Resource Page).



Prize Notification Scams

International Lottery • Certified Check Fraud

Nigerian Letter Scam

Phony lottery or sweepstakes prize notifications are among the most successful scams in history. They can come through a telemarketing call or over the Internet but usually come by mail. Consumers receive a notice that they have won a lottery or other type of prize. Usually the consumer never entered or heard of the contest or lottery they have “won.” The scheme requires a small payment for “processing” or “taxes” or “conversion of currency.” The prize notification often advises the “winner” to keep the award a secret to protect the winnings from the Internal Revenue Service.

One version of the scam is to include a check (sometimes a cashier's check) with the prize notice. The notice says that the consumer has won a prize but must pay a substantial “tax” or “administrative fee.” The scam artist tells the consumer that the enclosed cashier's check comes out of the winnings and will cover the charges. The check looks real but it is not. If the consumer deposits the check, the bank will later (7 to 10 days for an international check) deduct that amount from the consumer's account after the check “bounces.” Sometimes the prize letter requests that the consumer provide bank account information so the prize money can be wired directly to the consumer's account. With this information, the scammer gains access to the consumer's bank account and may be able to transfer money out of that account illegally.

The Nigerian letter scam is another twist on the prize notification scam. The letter is circulated via fax, email or regular mail by someone claiming to be from a foreign country (usually in Africa). The scam artist requests help in transferring millions of dollars to the United States. The person usually claims to hold a high-ranking government position or to be a lawyer or a member of an important



corporation. The scammer promises to give a percentage of the money transferred, typically 20 to 30 percent, as payment for providing an account to receive the funds. The scam artist typically requests bank account information to facilitate sending the alleged money and may ask for a “good faith” payment up front. Obtaining advance fees or personal financial information (i.e., bank account numbers) is the scammer’s ultimate goal. The victim gets nothing.

Red Flags

- *Beware of requests to wire or mail money to cover administrative fees, taxes or legal fees involved in processing “your winnings.” A legitimate lottery would deduct such expenses from your winnings.*
- *Beware of any attempt to prod or threaten you into sending money immediately or the prize will be lost.*
- *Beware of requests to send someone to your house to pick up the money.*
- *Beware of requests for bank account information so your prize can be deposited directly into your account.*
- *Beware if, after declining the offer, you continue to get calls offering to lower the fees required to claim your prize in an attempt to get money from you.*
- *If you receive a check as part of a prize notification or from anyone you do not know, assume it is counterfeit. If you deposit it, wait until the check clears your bank account before drawing against it. For international checks, wait at least two weeks and then check your balance. Ask your financial institution about its policy regarding counterfeit checks.*

- *Beware of a foreign national asking for your help to transfer money into your American bank account in exchange for a share of the money. These schemes often include a tragic story designed to foster sympathy and a huge promised benefit.*

Protect Yourself

- *Never send money to “claim your prize.”*
- *Be suspicious of “junk mail” solicitations. Hang up on persistent callers.*
- *If calls become threatening, hang up and call law enforcement.*
- *If you have lost money, report it at once. Mail victims should contact the U.S. Postal Service (Resource Page); all others should contact the Arizona Attorney General’s Office. Once you have fallen victim to one scam, it is likely you will be targeted for future scams.*
- **NEVER** *give personal financial information, such as your bank account number.*
- *If you or someone you know has been contacted to participate in an Advanced Fee Scam from a foreign country (such as the Nigerian letter scam), contact the U.S. Secret Service (Resource Page).*
- *Sign up on the Attorney General’s Web site (www.azag.gov) to receive Scam Alerts to protect yourself from the latest schemes. Encourage your friends and family members to sign up as well.*



Short Term, High Cost Loans

Payday Loans

Consumers who find themselves stretched thin financially sometimes turn to payday loans as a quick source of cash. Unfortunately, this practice often results in an endless cycle of debt for the consumer.

Payday loans, also called deferred presentment, cash advance or check advance loans, are short term loans usually at a high interest rate that become due on the borrower's next payday. Before getting the funds, the borrower writes a check for the amount of the loan plus the company's lending fee. The company then gives the borrower cash in the amount of the check minus the fee and does not collect on the check until the next payday.

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Lenders often charge fees that translate into exorbitant annual percentage rates. For example, a two week \$100 loan for a \$15 fee turns out to be a loan with an annual percentage rate of 390%. Over a year, the borrower would pay an additional \$390 over the \$100 loan. This amount should be contrasted with, for instance, what a borrower would pay on a high-interest credit card with an annual interest rate of 24%. Over a year, the borrower would pay an additional \$24 over the \$100 loan.

Auto Title Loans

An auto title loan is also a short term, high cost loan that can result in even more debt than the consumer initially owed. It can also result in the loss of the borrower's car or truck. With an auto title loan, the borrower borrows money and promises to repay the loan in a short time, often 30 days later. As security or backing for the loan, the borrower gives the lender title to the borrower's vehicle,



sometimes also handing over a duplicate set of keys. If the borrower does not repay the loan on the due date, the loans are frequently rolled over for an additional fee. If the borrower still cannot repay the loan, the lender takes the vehicle. Thus, the borrower may lose a car that may be worth over \$10,000 as a result of a \$2,000 loan. In addition, the borrower is out whatever payments and interest were paid before the loan was in default and the car repossessed.

Protect Yourself

- *Under the Truth in Lending Act, you are entitled to know the cost of any type of credit applied for and to receive the information in writing, including the Annual Percentage Rate (APR) and the dollar amount of finance charges. Read this material carefully **before** you enter into the loan.*
- *Look to alternative sources for loans that do not carry such high interest rates or fees, such as credit unions, community based organizations, your employer, family or friends, or a cash advance on your credit card.*
- *Make sure that you can realistically pay the loan back when it becomes due before agreeing to its terms.*
- *Build up your savings to use in case of emergency expenditures. Even small deposits every payday can build up. Arizona Saves and other money management programs can provide excellent guidance.*
- *Seek help from a consumer credit counseling service. Credit counseling may be available from community organizations, credit unions, HUD or your employer.*

Telemarketing Rip-offs

Every year, thousands of consumers lose money to telemarketing con artists. Some companies that sell items over the phone are legitimate, but many are not. Be especially suspicious when anyone attempts to sell you something over the telephone.

The Federal Trade Commission's (FTC) Do Not Call Registry allows you to stop getting telemarketing calls at home. You can register online at www.donotcall.gov or by calling 1.888.382.1222 (TTY 1.866.290.290.4236) toll free **from the number you wish to register**. Registration is free, effective within 31 days and lasts 5 years. If you receive a call after you are registered on the Do Not Call list, contact the FTC (Resource Page) and report the calling company. Some callers are not subject to Do Not Call (former business relationships (within the last 18 months), charitable solicitations and political calls). A complete list of exceptions can be found on the Secretary of State's Web site at www.azsos.gov.

Arizona's Telephone Solicitations statute (A.R.S. §§ 44-1271 through 44-1282) requires all telemarketing companies to file a registration statement with the Secretary of State and post a bond with the State Treasurer's Office (Resource Page) before they can solicit customers over the telephone. Arizona law also requires all telemarketing companies to tell their customers, both orally and in writing, that they have the right to cancel their order within three days after receiving the merchandise or any gift, bonus, prize or award.

Many credit card companies will issue a credit to your account if the telemarketing company is not legitimate. It is important to contact your credit card company as soon as you realize there is a problem, as they will only issue a credit for a limited time.



Some callers claim to represent police departments and professional or volunteer fire departments or other public service organizations. Listen or read carefully to learn the exact purpose of the money. Many of the people who contact you are not connected to police and firefighter organizations at all, even though their name resembles that of such organizations. Ask questions: Are you a professional fundraiser? How much of my contribution do the fundraisers get? Exactly what organizations benefit? How much money goes to the cause? If the caller is unable or unwilling to provide you with this information, hang up. The Secretary of State (Resource Page) can tell you what percentage of the money goes to the professional fundraiser and how much to the charity.

Red Flags

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- *“Act now” or the offer will expire.*
- *You have won a “free” gift, vacation or prize, but you must pay for “shipping and handling” or other charges before you get your prize.*
- *Insistence on an in-home presentation or product demonstration.*
- *Insistence on payment in cash or that your payment must be picked up by a courier.*
- *Statements that it is not necessary to check on the company with the Better Business Bureau, a consumer protection agency or an attorney.*
- *Refusal to send information about the offer in writing for you to review.*



Protect Yourself

- *Place your phone number on the Do Not Call Registry (Resource Page).*
- *If it sounds too good to be true, it probably is.*
- *You can hang up!*
- *Screen your calls. Let an answering machine pick up calls from unknown callers. Most telemarketers will not leave messages. If a telemarketer does leave a message, you do not have to call back.*
- *Never give out your bank account information or Social Security number to a caller you do not know.*
- *Never agree to let someone pick up your check or other form of payment.*
- *If the deal sounds good but you still have questions, ask the company for information in writing before making a contribution or paying for any goods or services. A legitimate company will be happy to oblige.*
- *Ask how much of any contribution actually goes to the charity – confirm what you learn with the Secretary of State (Resource Page).*
- *Contact the Secretary of State to check whether an alleged charity is registered (as required by law).*
- *Make sure the registered name is identical to the name of the company soliciting your donation. Many con artists choose names deceptively similar to legitimate charities.*
- *If you choose to make a contribution, do so by check, not cash. Make your check payable to the charity, never to the individual soliciting the donation. Obtain a receipt and a written statement that the contribution is tax deductible.*

Resource Page

Arizona Attorney General's Office

1275 West Washington Street
Phoenix, AZ 85007
www.azag.gov

Consumer Information and Complaints

602.542.5763 (Phoenix)
520.628.6504 (Tucson)
1.800.352.8431
(In-State Toll Free)
consumerinfo@azag.gov

Identity Theft Help Line

602.542.2145 (Phoenix)
800.352.8431 (Outside
Maricopa and Pima Counties)
identitytheft@azag.gov

Arizona Corporation Commission

1300 West Washington Street
Phoenix, AZ 85007
602.542.3026 (Phoenix)
520.628.6550 (Tucson)
1.800.345.5819 (In-State Toll Free)
www.cc.state.az.us

Arizona Department of Economic Security

Family Assistance Administration
P.O. Box 40458
Phoenix, AZ 85067-9917
602.843.3934
www.azdes.gov/aspnew/default.asp

Arizona Department of Environmental Quality

1110 West Washington Street
Phoenix, AZ 85007
602.771.2300
www.azdeq.gov

Arizona Department of Financial Institutions

(formerly State Banking Department)
2910 North 44th Street
Suite 310
Phoenix, AZ 85018
602.255.4421 (Phoenix)
1.800.544.0708 (In-State Toll Free)
www.azdfi.gov

Arizona Department of Health Services

150 North 18th Avenue
Phoenix, AZ 85007
602.542.1000
www.azdhs.gov

Arizona Department of Housing

1110 West Washington Street
Suite 310
Phoenix, AZ 85007
602.771.1000
www.housingaz.com

Arizona Department of Insurance

2910 North 44th Street
Suite 210
Phoenix, AZ 85018
602.364.2499 (Phoenix)
520.628.6370 (Tucson)
1.800.325.2548 (In-State Toll Free)
www.id.state.az.us



Arizona Department of Public Safety

2102 West Encanto Boulevard
Phoenix, AZ 85009
602.223.2000
www.azdps.gov

Arizona Department of Real Estate

2910 North 44th Street
Phoenix, AZ 85018
602.468.1414 (Phoenix)
www.re.state.az.us

Arizona Department of Revenue

1600 West Monroe
Phoenix, AZ 85007
602.716.7810
www.azdor.gov

Arizona Department of Veterans Services

4141 North 3rd Street
Phoenix, AZ 85012
602.248.1550
www.azdvs.gov

Arizona Department of Weights and Measures

4425 West Olive
Suite 134
Glendale, AZ 85302
602.255.5211 (Phoenix)
1.800.277.6675 (Outside Phoenix
Metro Area)
623.463.9930 (TTY)
www.azdwm.gov

Arizona Legislative Information Services (ALIS)

602.542.4236
www.azleg.state.az.us

Arizona Medical Board

9545 East Doubletree Ranch Road
Scottsdale, AZ 85258
480.551.2700
www.azmdboard.org

Arizona Registrar of Contractors

800 West Washington Street
6th Floor
Phoenix, AZ 85007
602.542.1525 (Phoenix)
1.888.271.9286 (In-State Toll Free)
602.542.1588 (TTY)
www.rc.state.az.us

Arizona Saves

6633 North Black Canyon Highway
2nd Floor
Phoenix, AZ 85015
602.246.3500 (Phoenix)
1.877.989.3500 (In-State Toll Free)
info@arizonasaves.org
www.arizonasaves.org

Arizona Secretary of State

1700 West Washington Street
7th Floor
Phoenix, AZ 85007
602.542.4285 (Phoenix)
520.628.6583 (Tucson)
1.800.458.5842 (In-State Toll Free)
www.azsos.gov

Arizona State Statutes

Many public libraries and law libraries provide public access to the state statutes in book form, including:

Arizona State Library Archives and Public Records, Law and Research Division

General Info 602.542.3701
Law Related 602.542.5297
Toll Free 800.228.4710
www.lib.az.us/is/locations/index.cfm

Maricopa County Law Library

602.506.3461
www.superiorcourt.maricopa.gov/lawlibrary

Statutes can be accessed online at www.azleg.state.az.us/ArizonaRevisedStatutes.asp

Arizona State Treasurer

1700 West Washington Street
First Floor
Phoenix, AZ 85007
602.604.7800 (Phoenix)
1.877.365.8310 (Toll Free)
info@aztreasury.gov
www.aztreasury.gov

The Better Business Bureau of Central/Northern Arizona

4428 North 12th Street
Phoenix, AZ 85014
602.264.1721 (Phoenix)
1.877.291.6222 (Toll Free)
www.arizonabbb.org

The Better Business Bureau of Southern Arizona

434 South Williams Boulevard
Suite 102
Tucson, AZ 85711
520.888.5353 (Tucson)
1.800.696.2827 (Outside Metro Tucson)
www.tucsonbbb.org

Consumer Reports

www.consumerreports.org

Credit Reporting Agencies

Equifax 1.800.685.1111
Experian 1.888.397.3742
TransUnion 1.800.888.4213

For a free annual copy of your credit report, contact www.annualcreditreport.com

Federal Communications Commission (FCC)

445 12th Street, SW
Washington, DC 20554
1.888.225.5322 (Toll Free)
1.888.835.5322 (TTY)
www.fcc.gov

Federal Trade Commission (FTC)

Consumer Response Center
CRC-240
Washington, DC 205080
202.326.2222
1.877.FTC-HELP (382.4357)
ID Theft Hotline 1.877.ID-THEFT (1.877.438.4338)
www.ftc.gov

Immigration Office

2035 North Central Avenue
Phoenix, AZ 85004
602.379.3118
www.uscis.gov/portal/site/uscis

Media Consumer Advocates**3 On Your Side**

5555 North 7th Avenue
Phoenix, AZ 85013
602.207.3470
3oys@azfamily.com
www.azfamily.com/news/3oys

12 for Action

602.260.1212 (Phoenix)
1.866.260.1212 (Outside Phoenix
Metro Area)
Monday-Friday, 11am-1pm
*Consumer problems are only
accepted via telephone*
[www.azcentral.com/12news/
consumer/12call12_index.html](http://www.azcentral.com/12news/consumer/12call12_index.html)

ABC15 Investigators

602.685.6399 (Phoenix)
investigators@abc15.com
www.abc15.com/content/news/investigators/default.aspx

CBS 5 Investigates

602.650.0711
5iteam@kpho.com
www.kpho.com/iteam/index.html

NBC 11-Yuma

928.782.1111
kyma1@kyma.com

NBC 2-Flagstaff

928.526.2232

FOX 11-Tucson

520.770.1123
www.fox11az.com

U.S. Attorney, District of Arizona

40 North Central Avenue
Suite 1200
Phoenix, AZ 85004
602.514.7500 (Phoenix)
520.620.7300 (Tucson)
928.556.0833 (Flagstaff)
928.344.1087 (Yuma)
www.usdoj.gov/usao/az

U.S. Comptroller of the Currency

Customer Assistance Group
1301 McKinney Street
Suite 3450
Houston, TX 77010
customer.assistance@occ.treas.gov
www.occ.treas.gov

U.S. Department of Housing and Urban Development (HUD)

1 North Central Avenue
Suite 600
Phoenix, AZ 85004
602.379.7100 (Phoenix)

160 North Stone Avenue
Tucson, AZ 85701
520.670.6000 (Tucson)

www.hud.gov

Inspection Service Operations

ATTN: Mail Fraud

222 South Riverside Plaza

Suite 1250

Chicago, IL 60606-6100

1.888.877.7644 (Toll Free)

1.800.372.8347 (Postal Inspection

Service Mail Fraud Complaint

Center)

www.usps.com

602.640.5580 (Phoenix)

520.670.4730 (Tucson)

www.ustreas.gov/usss

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Crime and Fraud Prevention Initiatives

The Attorney General's Community Services Program includes **Satellite Offices** throughout the state and the **Fraud Fighter Van**. Satellite Offices make it easier for residents to get information on consumer fraud and civil and victims' rights issues in their own neighborhoods. Fraud Fighter Volunteers are available to make educational presentations to community groups and distribute materials at local events. A complete list of Satellite Office locations and schedule of events are posted on the Community Services page of the Attorney General's Web site at www.azag.gov. The Fraud Fighter Van is the newest tool to bring services and information to senior centers, libraries and neighborhoods. The Fraud Fighter Van is filled with information about identity theft, scam alerts, Internet safety and much more.



ARIZONA ATTORNEY GENERAL
Fraud Fighters
PROTECTING ARIZONA CONSUMERS

For more information, contact:

Community Services Program
Arizona Attorney General's Office
1275 West Washington Street
Phoenix, Arizona 85007
602.542.2123 or 1.800.352.8431
communityservices@azag.gov

Subscribe to the Attorney General's scam alerts and messages on current issues at www.azag.gov.

Other publications available from the Arizona Attorney General's Office include:

- Civil Rights:
 - Employment Discrimination
 - Discrimination in Places of Public Accommodation
 - Housing Discrimination
 - Voting Discrimination
- Consumers' Guide to Buying a Car
- Identity Theft
- Internet Safety
- Life Care Planning
- Predatory Lending

www.azag.gov